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TAGS: [PGOV](#) [SOCI](#) [ECON](#) [EINV](#) [PREL](#) [CH](#) [TW](#)  
SUBJECT: ZHEJIANG PARTY SECRETARY ZHAO HONGZHU ON SOCIAL  
NEEDS, U.S. TRADE IN AMBASSADOR'S MARCH 9 LUNCH

REF: A. BEIJING 808

[1](#)B. 07 SHANGHAI 459  
[1](#)C. 07 SHANGHAI 457

Classified By: Ambassador Clark T. Randt, Jr.  
Reasons 1.4 (b) and (d).

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SUBJECT: ZHEJIANG PARTY SECRETARY ZHAO HONGZHU ON SOCIAL  
NEEDS, U.S. TRADE IN AMBASSADOR'S MARCH 9 LUNCH

Ref: Beijing 808  
07 Shanghai 459  
07 Shanghai 457

Classified by Ambassador Clark T. Randt, Jr. Reasons 1.4 (b)  
and (d).

Summary

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[1](#)1. (C) Zhejiang Party Secretary Zhao Hongzhu emphasized the need to address China's pressing social problems during a March 9 lunch hosted by the Ambassador. Zhao said the emphasis on social issues is the core message of this year's National People's Congress (NPC) session and is his primary concern as Zhejiang's top leader. Zhao cited impressive figures on Zhejiang GDP targets and rising incomes but said the province still has pockets of poverty. Central policies have put pressure on the local export-import business, but Zhao said he is encouraging local enterprises, the majority of which are privately owned, to innovate and step up to international standards. The United States remains Zhejiang's top trading partner, and Zhao welcomes more U.S. companies to locate to, or invest in, Zhejiang. More Zhejiang tourists would like to visit the United States.

Zhao seemed unaware of local political reform pilots in Zhejiang but welcomed such experimentation. Zhao applauded President Bush's "resolute stance" against Taiwan's UN referendum, saying the President's comments had left a "good impression" in China. End Summary.

#### Core NPC Theme: Social Welfare

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12. (C) On March 9, the Ambassador hosted a lunch for Zhejiang Party Secretary Zhao Hongzhu, who is in Beijing as leader of Zhejiang's delegation to the first session of the 11th National People's Congress (NPC). Zhao said NPC deputies had engaged in a "long" discussion of the Premier's Government Work Report in order to reach a consensus on the priorities for the new year. In line with the conclusions of the 17th Communist Party Congress last October, the overriding priority was "people's livelihood" (minsheng wenti) under the guidance of Party General Secretary Hu Jintao's "Scientific Development Concept" (SDC). Zhao claimed deputies were satisfied with this direction because whether economic development is fast or slow, the goal of the SDC is to improve the lives of the people. Zhao returned to this theme again and again, noting in particular the need to improve education, employment, social welfare, health and the environment. For example, Zhao cited these policy areas when asked how the SDC would be applied in Zhejiang, when listing his greatest challenges as Party Secretary and when asked what decisions the Zhejiang Party Committee would make following the NPC.

#### Scientific Development in Zhejiang

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13. (C) Ranked fourth out of 31 provinces in economic development behind Beijing, Shanghai and Tianjin, Zhao said Zhejiang is experiencing all the problems of rapid growth.

BEIJING 00000889 002 OF 004

Noting that 70 percent of the province's GDP comes from the private sector, Zhao has encouraged more Zhejiang residents to set up their own businesses and make current businesses more innovative. Per capita GDP for Zhejiang is USD 5,000, and Zhao has set a target of increasing GDP from RMB 1.8 trillion last year to RMB two trillion this year. Disposable income of urban residents has reached RMB 20,250 while that of rural residents is RMB 8,200, twice as high as the national average of RMB 4,100. Nonetheless, Zhejiang also has pockets of poverty, such as Lishui, Zhoushan and even in Wenzhou, the most prosperous area of the province, Zhao said.

14. (C) Hu Jintao's SDC will be given "even higher" priority in Zhejiang, Zhao stated, with an emphasis on quality growth, not quantity, and a focus on conserving energy and reducing pollution. If the tradeoff for pollution control is less GDP growth, that would be an "acceptable" price to pay. In claiming that he would give the Ambassador privileged information on Zhejiang's plans, Zhao said the next session of the Provincial Party Committee would make some important decisions on Zhejiang's priorities for this year. When asked if these decisions would all be economic ones, he said they would emphasize both economic issues and "social progress." Each province has the "autonomy" to determine its own development priorities and costs based on local conditions, Zhao said, asserting that Zhejiang would allocate 80 percent of its revenues to education, employment, health care, social security and other social problems. These problems, Zhao said, are his biggest challenge as Party Secretary, adding that they will require "several years" to resolve.

#### Provincial Trade: United States Number One

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15. (C) When asked about Zhejiang's exports and imports, Zhao said overall imports had grown by three percent over last year, while exports had increased by eight percent. The

United States is still the province's largest trading partner, and Zhao said he supported increasing U.S. imports but hoped for more "coordination" in making this happen. Zhao volunteered that trade with Japan was also brisk and growing despite "rough spots" in bilateral relations. With the recent thaw in relations and a new Japanese prime minister, this trade will increase because "Japan wants Chinese products." China is working to maintain "balanced" trade with Japan, Zhao said, even if it means buying "expensive Japanese rice" that the province "didn't really need."

16. (C) Commenting on the general situation of imports and exports, Zhao said there is a growing need for the import of raw materials for provincial industries. Zhejiang is working to increase the production of higher-end products for the export market and is searching for ways to lower production costs and meet international standards. Recent Central Government policies had put "great pressure" on the import and export sector, Zhao emphasized, noting in particular the abolition of certain tax rebates, interest rate adjustments, credit tightening and exchange rate fluctuations. (Note: Zhao was most likely alluding to the possibility of large layoffs resulting from dropping demand for low-end products such as textiles, a problem that has been especially visible recently in Guangdong.) Zhao said he is confident Zhejiang merchants would step up to the challenge, noting that they were "very resourceful," and that he was encouraging them to innovate, find new ways of adding value and establish their own brand names.

What Political Reform?

17. (C) When the Ambassador inquired about local-level experiments in budget transparency in the Wenling area Zhejiang, Zhao promptly deferred to one of his staff to answer. (Note: It appeared as if Zhao was not aware of the pilot projects in Wenling, where the public has been allowed extensive input into the local budget process.) Zhao's staff member expressed surprise that the Embassy would be interested in such matters, emphasizing that public budget hearings were "not a requirement" and "not universal" but saying that the Provincial Government "welcomes" such experiments in order to ensure "transparent and rational allocation" of Government funds. In the past the Government only had an "internal" check on the allocation of funds but now was looking for an "external" check as well. The staff member asserted that since Zhao had assumed the reins as Party Secretary, provincial authorities were more open to such experiments, although it was too early to tell if they would be successful. (Note: The Wenling experiments, which

BEIJING 00000889 003 OF 004

also involve the direct election of local Party Secretaries, have been in train for several years. They have attracted the interest of Western scholars, and articles about them have recently appeared in PRC media. Several Embassy contacts have said that Zhao's predecessor, Xi Jinping (who subsequently has been elevated to the Politburo Standing Committee), tacitly accepted the experiments, but more recently the reforms reportedly have been facing greater scrutiny.) When the Ambassador observed that public participation in policy in the United States helps generate support for policies, Zhao concurred. Zhao shifted the discussion to the broader topic of the NPC, which Zhao claimed engages in "consultative democracy." Provincial NPC deputies invite the public to meetings, soliciting their views and suggestions which they then pass to the Center, Zhao asserted. Zhao also made a point of noting that Hu Jintao was encouraging "reform and innovation" within the Party itself.

U.S. Companies in Zhejiang, IPR Enforcement

¶8. (C) When asked for guidance on the type of U.S. companies Zhejiang would welcome, Zhao first observed that several large U.S. companies, such as Fedex, Intel and Motorola, are already in Zhejiang and doing very well. Zhao said he recently attended a ceremony celebrating the sale of 100 million Motorola mobile phones in China. He welcomed FCS Minister-Counselor Barry Friedman's proposal to send two U.S. commercial delegations to Zhejiang this year: a clean technology trade mission that would focus on energy efficiency and pollution control, and a delegation of experts on entrepreneurship and enterprise innovation. Zhao suggested that arrangements be made for them through the provincial Foreign Affairs Office.

¶9. (C) After the Ambassador commented on Zhejiang's record of prosecuting trademark cases and other IPR enforcement, Zhao said that whenever IPR officials from the Central Government visit, he makes a point of meeting with them and asking for their suggestions. Zhao agreed with the Ambassador that tough IPR enforcement is good for both countries and that China needs to protect its own trademarks.

#### Plug for Tourism in the United States

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¶10. (C) Many Zhejiang residents are wealthy and traveling abroad in greater numbers, Zhao said. Many would like to visit the United States but wish for more "security assurances" and "convenience." As a result, most of them travel to Europe, Zhao claimed. Zhao welcomed as "good news" the Ambassador's comment that a tourism agreement was signed with the China National Tourism Association at the recent Strategic Economic Dialogue (SED) that will provide Chinese tourists new opportunities to visit the United States.

¶11. (C) When asked if he has plans to visit the United States soon, Zhao noted that Zhejiang has sister-state relations with Indiana and New Jersey but said he would first go to Europe to establish new sister-state or sister-city relations there. When Chinese leaders travel abroad, they often make promises that are left to provincial leaders to implement, Zhao wryly observed.

#### Kudos for President Bush's Stance on Taiwan

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¶12. (C) At the end of the meal, Zhao reiterated China's concern over Taiwan President Chen Shui-bian's promotion of Taiwan independence, applauding the "resolute stance" of President Bush in reaffirming the "one-China principle." The President's public opposition to Taiwan's upcoming referendum on joining the United Nations under the name "Taiwan" has made a "good impression" on the Chinese people, Zhao said, adding that he hoped to build on this goodwill as a local leader to further advance bilateral relations.

#### Bio Note

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¶13. (C) Zhao is an engaging and gregarious individual who took the effort to shake hands with each Embassy officer at the lunch and to personally present each with a gift at the end. Zhao was on top of his brief, thoughtful and articulate, down-to-earth and a lively conversationalist. Zhao was also considerate of his staff, at one point suggesting that the Ambassador's interpreter handle interpreting for both sides so his interpreter could have

BEIJING 00000889 004 OF 004

time to eat her lunch.

¶14. (C) Zhao said he and his wife have a daughter, son-in-law and seven-year-old grandson living in Beijing. Zhao quipped he had seen his grandson twice during the week and that both times, at the boy's request, they had gone to eat pizza. Zhao began swimming on a regular basis for

exercise four years ago, up to 1,000 meters each time, and was self-taught through instructional DVDs. Zhao joked that he had "ten swimming teachers," referring to his collection of swimming DVDs. Swimming he said, "is more important than lunch." He commented that his wife had scolded him for drinking too much during his dinner with the Ambassador in Zhejiang last July (Refs B, C), though Zhao said he had merely been "enjoying the evening with friends." (See Ref C for additional information on Zhao's personal life, including his description of his introduction to drinking, with his father's permission, in the mid-1980s, and his experience in teaching himself to swim.) Zhao said he and his wife refer to each other as "lao ba-er" (literally "old companion"), a term of endearment and familiarity used by spouses in their advanced years.

RANDT